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C O N F I D E N T I A L VIENNA 000576

SIPDIS

DEPARTMENT FOR EUR/ERA AND EUR/AGS

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SUBJECT: EUROPEAN INVESTMENT BANK LOAN TO SYRIA: AUSTRIAN RESPONSE

REF: STATE 229611

Classified By: Economic-Political Counselor Gregory E. Phillips for reasons 1.5 (b) and (d).

1. (C) On February 24-25, post met separately with the following GoA officials to underscore reftel concerns with European Investment Bank (EIB) loans to Syria: Ralph Scheide, the Austrian MFA's Assistant Secretary-level Director for the Middle East and Africa; Melitta Schubert, Head of the MFA's Foreign Economic Relations Department and Transatlantic Relations Coordinator; and Thomas Wieser, Director General (U/S-level) of the Ministry of Finance's Economic Policy and Financial Markets Directorate. Both Scheide and Schubert emphasized EIB's independent nature, designed to minimize political influence. Schubert admitted that the initial loan to the telecom sector had been "questionable," but she maintained that the current 45 million Euros loan for municipal water projects would benefit a Palestinian refugee camp. Scheide told us that we should talk to the British about the loan.

2. (C) Wieser said that, although the EIB is an independent entity, the member states are the shareholders. Ministries of Finance are responsible for the technical and administrative processing of the loans, but if there are foreign policy implications, Ministries of Foreign Affairs can certainly intervene. Wieser added that the MoF had not yet received the agenda for the March EIB Board meeting, but he promised to contact the MFA to ensure there are no foreign policy objections to the loan. According to Wieser, there is always a "member state interest" behind a loan, i.e., a company or companies in certain member states stand to benefit from a particular project. In this context, Wieser implied that one or more member states are trying to facilitate the municipal water project loan, and want to keep the discussion on a purely technical level in order to do so. McCaw